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SECURITY INFORMATION

14 January 1952

CIA No. 49501

Copy No. 45

TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

(including S/S Cables)

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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SECTION 2 (EASTERN)

1. NEAR EAST. Secretary General Lie suggests UN could solve Iranian and Egyptian problems: Secretary General Lie believes that the Iranian and Egyptian problems can only be solved through the United Nations. The Secretary General, expressing himself strongly on the matter to General Eisenhower, stated that the Egyptian Foreign Minister and the Secretary General of the Arab League had told him privately that they would be willing to develop adequate Middle East defense arrangements under UN aegis.

Lie favored working toward such a solution but said that Britain and America were opposed. He was vague as to what sort of an arrangement could be worked out but insisted that "the USSR would of course not be permitted to participate in such UN defense arrangements." (S S/S Paris 4080, 9 Jan 52)

Comment: Referring the Iranian and Egyptian disputes to the UN would permit Iran and Egypt to use this agency as a sounding board for publicizing their grievances. The USSR would also be given increased opportunity for meddling in matters of vital importance to the West.

2. IRAN. Mossadeq unyielding on US military aid: Minister of Court Ala has informed the American Ambassador to Iran that Mossadeq refuses to discuss the question of US military aid with anyone. Although Mossadeq is willing to accept military aid, he wants general discussion of the subject to subside.

The Ambassador states that Mossadeq is at present prevented by the political situation from giving the assurances required under the Mutual Security Act in order to make Iran eligible for continued American military aid. He believes, however, that there is a possibility that at a later time Mossadeq may be prevailed upon to make the necessary statement. (TS Tehran 2535 and 2544, 9 Jan 52)

Comment: Mossadeq's long-standing aversion to strengthening the army at the expense of Iranian economic development, his desire not to provoke his Soviet neighbor, and his reluctance to risk alienating his nationalist supporters make it doubtful that he can be persuaded to make the necessary statement.

3. NEPAL. India concerned over Communist threat: An Indian intention to participate in the reorganization and training of the Nepalese Army and in the defense of Nepal against possible outside aggression emerged in the discussions between the Indian and Nepalese prime ministers in New Delhi 6 to 9 January. The conversations included the questions of air and land surveys

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of the Tibetan-Nepalese and Nepalese-Indian borders, military and police measures to ensure the security of Nepal, road and airfield construction in Nepal to facilitate the dispatch to strategic areas of Indian troops, and Indian and Nepalese treaty relationships with Tibet.

The Nepalese Prime Minister, however, told US Ambassador Bowles that he is not alarmed over increased Communist activities in Nepal and that Chinese Communists in Tibet still represent no threat to his country's security. (S S/S New Delhi 2363 and 2402, 7 and 9 Jan 52)

Comment: The agenda for the prime ministers' conversations strongly suggests that India has become acutely aware of recent Communist-inspired developments in both Nepal and Tibet.

In view of the Nepalese Prime Minister's apparent attitude, there is a real danger that Communist organizations in Nepal will become so well entrenched and their lines of supply and communication with India and Tibet so well established that neither the Indian nor Nepalese government will be able to suppress them if and when they desire.

4. JAPAN. Soviet Mission delivers copy of Stalin's message to Yoshida: A bound copy of the Japanese text of Stalin's message was delivered to Prime Minister Yoshida's official residence on New Year's Day by representatives of the Soviet Mission in Tokyo, with the request that it be presented to the Prime Minister. Reportedly he has not officially accepted the document in view of its controversial nature. (C S/S Tokyo 1416, 8 Jan 52)

Comment: The Soviet action in Tokyo suggests the importance attached by the USSR to Stalin's message. It is possible that delivery of the message indicates a Soviet desire to enter into a working relationship, with or without benefit of a peace treaty.

5. Soviet Mission has approached Japanese Government on several occasions: US Political Adviser Sebald reports that Japanese Foreign Office officials indicate their Ministry is giving considerable thought to the general problem of future Japanese-Soviet relations, particularly in reference to the status of Soviet representation in Japan following termination of the Occupation and dissolution of the Allied Council for Japan. The officials admitted that the Soviet Mission has attempted a direct approach to the Japanese Government on several occasions since Soviet trade representatives called on Diet members early in November. Questions of trade and the exchange of consular representatives in particular were broached.

Other questions currently concerning the Foreign Office are whether to send representatives to the Moscow Economic Conference in April and the best location in Europe outside the USSR from which to collect information on

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Soviet policy and tactics. (C S/S Tokyo 1447, 11 Jan 52)

Comment: This is the first report of direct Soviet approaches to the Japanese Foreign Office regarding an exchange of consular representatives.

SECTION 3 (WESTERN)

6. SPAIN. Franco urges US aid to Spanish munitions industry be rushed: In a recent interview with US Senator Brewster, General Franco urged that the United States proceed with utmost speed to aid the Spanish munitions industry and indicated that other Spanish needs could await priorities. He said that such action would not only permit Spain to supply its own armament needs, but also improve the over-all economy. (S S/S Madrid 718, 9 Jan 52)

Comment: Franco's remarks reflect the domestic pressure he is under to obtain an immediate share in the US foreign aid program, especially material and technical assistance, and the fear that such aid is being hindered by priorities established for NATO countries.

7. UNITED KINGDOM. British plan limited changes in Malayan administration: The British Government plans to improve the existing machinery for combatting Communist terrorism in Malaya as a result of Colonial Secretary Lyttelton's recent visit, but contemplates no basic policy changes.

The role of the police in maintaining local security will be emphasized, and an effort will be made to recruit more local Chinese for this service. The office of Commissioner General in Southeast Asia will be retained, although a decision regarding the tenure of its controversial incumbent, Malcolm MacDonald, has not yet been made. The new High Commissioner for Malaya will probably be a military man "with good political sense," who will be assisted by a deputy for political affairs.

The US Embassy in London comments that the proposal to appoint a Deputy High Commissioner indicates Britain's awareness of the essential role political reform and development have to play in restoring stability in Malaya. (S S/S London 3052, 10 Jan 52)

Comment: Failure to use local Chinese to any great extent in police operations against the Communist guerrillas has given the Malayan Chinese a "left-out" feeling, and has encouraged many of them to feel that their interests lie with the guerrillas, almost all of whom are Chinese, rather than with the British.

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OCI No. 3850
Copy No. 169

DAILY DIGEST

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SECTION 1 (SOVIET)

1. USSR. Soviet Union offers India industrial goods at opening of Bombay Industrial Exposition: At the opening of the Indian International Industrial Exposition, a Soviet official issued a statement offering India machine tools as well as electrical, textile, farm, transport, and mining equipment. Stressing that the US and Britain could not provide India with the needed machinery because of their rearmament programs, he announced that the USSR could deliver the goods on schedule. The USSR, in return, is interested in buying such things as jute, shellac, tobacco and textiles. (U Washington Post (AP-Bombay) 10 Jan 52)

Comment: The exposition, apparently dominated by Soviet, Chinese Communist, and Satellite exhibits, has no displays from the US or Britain despite Indian requests to participate. Since the exposition is not under government sponsorship, US policy opposes official participation.

Soviet propaganda has been quick to exploit this lack of American and British exhibits as well as to publicize the lavish display of Soviet goods and their availability to India. The emphasis on availability of industrial goods to India recalls previous instances in which the Soviet Union widely propagandized its interest in the needs of underdeveloped areas by making large offers of assistance which later were only partially fulfilled.

2. INTERNATIONAL COMMUNISM. Rumor that Austrian Communist Party may be admitted into Cominform: The conservative Austrian newspaper Das Kleine Volksblatt, reports that according to information received from Communist circles in Vienna, Austria's Communist Party will soon be accepted as a full-fledged member of the Cominform. (U Vienna 2265, 9 Jan 52)

Comment: The Austrian Communist Party has been the object of criticism for its weakness and ineffectiveness from both the Soviet and the elite French and Italian Communist parties. It is unlikely that a party which inspires so little trust would be taken into the inner council of the elite parties to share directives requiring the utmost in security. The rumor, apparently, was inspired by recent reports of a shake-up of Soviet occupation personnel, allegedly aimed at improving relations between the USSR and the Austrian Communist Party.

3. CZECHOSLOVAKIA. New Czech visa regulation may be used to harass Western diplomats: As of 10 January all holders of foreign passports must apply

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to the Czech Foreign Ministry for their re-entry or final exit visas before going on trips. The American Ambassador in Prague remarks that this action will allow the Czechs to harass Western diplomats by delaying such applications if they wish to do so. The Ambassador states that a delay especially on week-end trips to Vienna and Germany would threaten the morale of the embassy staff, and urges that the US take immediate retaliatory action in kind. (C Prague 519, 9 Jan 52)

4. HUNGARY. Resumption of VOA Munich broadcasts expected to nettle Hungarians: The US Charge in Budapest believes that the resumption of VOA broadcasts from Munich on the wave length which was discontinued in April 1951 in connection with the Vogeler negotiations will greatly irritate the Hungarians. The Charge is of the opinion that the elimination of the Munich transmission was the key objective of the Hungarians and that its reintroduction, presumably in retaliation for the imprisonment of the flyers, may result in a Hungarian countermove. (S Budapest 510, 10 Jan 52)
5. YUGOSLAVIA. Yugoslavia to resume normal relations with Japan: As soon as the US Congress ratifies the Japanese Peace Treaty, Yugoslavia will announce that the state of war between Yugoslavia and Japan has terminated, according to Yugoslav Foreign Minister Kardelj. In addition, Japan and Yugoslavia will simultaneously announce that their prewar treaty of commerce and navigation has resumed validity and that the two governments will exchange diplomatic representatives. (C Belgrade 866, 8 Jan 52)

Comment: The present Yugoslav regime had recognized the declaration of war against Japan issued by the London Government.

While recognizing the value and validity of the San Francisco meeting, Yugoslavia had declined to attend the Conference on grounds that it had no substantive interest in Japanese affairs.

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SECTION 2 (EASTERN)

1. LEBANON. Lebanese UN delegate urges better Western cooperation in Near East: Charles Malik, Lebanese delegate to the UN General Assembly meeting in Paris, recently told American Ambassador Jessup that the key to a solution of Near Eastern problems was unanimity among the United States, Britain, and France. Malik maintained that half of the difficulties arising in the Near East were caused by the Western powers not pulling together and that even where Western coordination had been achieved at the top level, problems arose from the rivalry or friction among the Western representatives in the field.

Noting that the Egyptian press exerts considerable influence throughout the Near East, Malik suggested that methods might be found for circulating American viewpoints through Egyptian newspapers. (S Paris DELGA 946, 10 Jan 52)

2. IRAN. Mossadeq will not sign further economic aid agreements: A spokesman for the Iranian Government, in conversation with the US Ambassador in Tehran, confirmed local press reports to the effect that Prime Minister Mossadeq would not give additional assurances or sign any agreement on economic aid with the United States. The spokesman stated that such statements had been released by the government in order to scotch current rumors that the US expected to obtain such agreements. These rumors were causing considerable unrest in National Front and parliamentary circles. (C Tehran 2559, 10 Jan 52)

Comment: In addition to the recent exchange of letters between the American Ambassador and Prime Minister Mossadeq, additional definitive agreements are necessary if the funds involved are to be used effectively. Mossadeq does not wish to sign agreements which make him indebted to a foreign power, and he may hope that lack of detailed agreements on the use of American economic aid would enable him to use these funds for his current budget. In any event, he is likely to object to US control over the use of this aid.

3. New negotiations for Soviet sugar opened: Prime Minister Mossadeq has told the US Ambassador that Iran must arrange immediately to obtain 100,000 tons of sugar in 1952. Discussions are going on with the Soviet Union whereby the latter is to furnish 60,000 to 70,000 tons of sugar in exchange for all the rice, dried fruit, cotton and other agricultural products which Iran can spare.

Mossadeq admitted that such a deal would mean that the Soviet Union would absorb a large proportion of the country's exports which would be

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"extremely unhealthy for Iran." However, Mossadeq continued, any government which did not provide adequate supplies of important items such as sugar could not long survive. (C Tehran 2572, 11 Jan 52)

Comment: Curtailment of sugar would be the first result of Mossadeq's policies to directly affect the mass of Iranian peasants and workers.

The loss of sugar imports from Britain apparently has created a serious situation from which the USSR could profit. Early this month, however, the USSR refused to deliver 6,000 tons of sugar to Iran because the latter could not furnish the 300 tons of raw cotton required under the current barter agreement.

4. Communist-controlled National Coalition Committee presents candidates: The Tudeh Party has distributed leaflets in Tehran announcing the formation of a National Coalition Committee, composed of several Communist-front organizations. The Committee will present a single slate of candidates for election to the Parliament from Tehran. Its platform is similar to that announced earlier by the Tudeh Central Committee. (R Tehran 2563, 10 Jan 52)

Comment: The Communist-controlled Tudeh Party is outlawed in Iran but has been active through many front organizations. Several reports have indicated that the Tudeh hoped to gain parliamentary representation through deputies sponsored by the various front groups. Now, however, it appears that Tudeh is attempting to use the standard Communist technique of a "united front."

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Comment: Chinese Nationalists under Li Mi's command in Burma have been inactive since last summer, although their continued presence in

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Burma has remained a source of concern to the Burmese Government.

This report coincides with Li Mi's visit to Taipei and growing Soviet and Chinese Communist propaganda accusing the US of assisting the Nationalists in attacks on China from Southeast Asian bases.

6. Government reportedly preparing to release Karen prisoners:
The US Embassy in Rangoon reports that [] indicated that all Karen troops now held prisoner will soon be released. Although such a step would be the most dramatic effort yet made by the government to weaken the Karen insurrection, the Embassy believes that it probably would not significantly alter the situation even if generously implemented. (C Rangoon 661, 11 Jan 51)

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Comment: The Burmese Government has recently made several gestures designed to mollify the Karens. Reports that certain well-known Karen leaders have only recently gone underground indicate, however, that the Karens' strong distrust of the government continues.

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7. THAILAND. Possible coup led by Pridi reported: Pridi Phanomyong is [] planning to overthrow the present Thai Government with Communist support between 15 and 31 January. [] comments that a successful Pridi-Communist coup is most unlikely, although the possibility of Communist participation in "a mass assassination" effort cannot be discounted. []

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- Comment: Pridi, a former Premier, [] Deposed in November 1947, he sponsored an abortive coup attempt in 1949 and subsequently disappeared.

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There have been a number of unsubstantiated reports since that time that Pridi has been cooperating with or was being exploited by the Communists. This report fits into that general category.

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8. INDOCHINA. Threatening Chinese moves on Indochina border reported: [] who recently arrived from the Indochinese port of Moncay, the only border post still in French possession, told the American Vice Consul in Hanoi that mass meetings denouncing French imperialism and urging the liberation of Vietnam have been held recently by the Chinese Communists in the Chinese border town of Tunghsing, directly opposite Moncay.

Later, the French Army's China specialist added that he had just learned of the presence of 1,500 Chinese Communist regulars in and

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around Tunghsing, while other regulars have been arriving in unknown numbers at a point 30 miles north of the principal pass into Indochina.

25X1 Meanwhile, [] stated that while there were no Chinese troops in Tunghsing ten days ago, "now the town streets are full of mandarin-speaking, North Chinese regulars" who have concealed their military subordination. These troops allegedly include Korean veterans. (S Hanoi 459 and 462, 10 Jan 52)

9. Newly arrived Chinese troops reported north of Tonkin border:
25X1C Over 15,000 fully equipped troops, mostly of North Chinese origin, arrived at Fangcheng, on the China coast just north of the Indochinese border, toward the end of December, [] Of this number, 500 proceeded across the border into Tonkin. []

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Comment: This report supports other intelligence concerning unusual Chinese Communist activity in this locality, and indicates a growing threat to Moncay, the only border post still under French control. It is not unusual, however, for northern Chinese to be stationed in the southern provinces.

10. CHINA. Soviet engineers assist in Indochina border area construction: A
25X1 [] which toured South China during []
25X1 reports that Soviet engineers at Kunming, in southwest China, have supervised the construction of a small-arms factory. []
[] the delegates visited the factory and observed an unusually large labor force there.

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They also reported that the Kunming airfield has been enlarged and that the Russians have assisted in a general overhaul of the Yunnan railroad system, which now has improved facilities for the dispatch of men and goods to the Indochina border. (C Saigon 1362, 9 Jan 52)

Comment: The presence of several hundred Russian advisers in Yunnan was reported early in 1951. One of their tasks is said to have been assisting in the expansion of small arms production at the Kunming Arsenal, the largest in the Indochina border area.

Progress in Communist reconstruction of the rail line from Kunming to Indochina is attested by [] and other evidence. Only part of this line is at present operable, but it is being used in conjunction with motor traffic to transport material to Viet Minh forces. Soviet assistance will hasten re-establishment of this rail link to Indochina and provide the Chinese with two rail arteries for such shipments to the Viet Minh armies. The other line, in Kwangsi Province, was completed only three months ago.

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11. "Intense friction and disunity" reported in Chinese Communist leadership: Li Chi-shen, one of six Vice Chairmen of the Peiping regime, is reported to have said that Soviet advisers in China are "dismayed" at the general trend of events in China and Korea and that "intense friction and disunity" exist among Chinese Communist leaders. Li is also quoted as stating that the Peiping regime wishes to end the Korean conflict and that Kim Il-sung has been "severely criticized" by Soviet advisers for "mismanagement" of the Korean campaign. [REDACTED]

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• Comment: Li is the leader of one of the puppet parties attached to the Peiping regime. The reliability of his statements is not known.

While the Korean conflict has raised a number of potentially divisive issues among the Chinese Communists and between the USSR and Chinese and Korean leaders, there is as yet no evidence of significant disunity among or between them.

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Comment: The balance of evidence available continues to point to a Communist desire for a cease-fire -- of unspecified duration -- in Korea.

13. JAPAN/CHINA. Nationalists consider Japanese substitute for appropriate bilateral treaty unacceptable: Chinese Nationalist Foreign Minister Yeh, commenting on press reports that the Japanese Government plans a good will tour of Formosa, indicated his government would welcome Ken Inukai or any other Japanese official. Yeh stated, however, that any "recognition" implied in such a good will tour would not be an acceptable substitute for an appropriate bilateral peace treaty. (C Taipei 857, 10 Jan 52)

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Comment: While the appointment of Inukai to head a good will mission does not yet appear firm, there had been some thought that his wartime position as adviser to the Japanese puppet regime in Nanking would make him unacceptable in Taipei.

There has been no indication to date that the Japanese Government contemplates any objective for this mission other than good will, and Tokyo does not appear prepared to enter a contractual relationship with Taipei which would recognize the latter's jurisdiction beyond Formosa.

14. JAPAN. Policy to ensure officials' loyalty adopted by Japanese Government: Pan-Asia News Agency reports that the Yoshida government has adopted a "loyalty administration policy" to ensure that "the schemes and measures formulated at the cabinet level" will be carried out by government officials. Failure of some government officials -- notably in the Ministry of Agriculture and Forestry -- to cooperate on the plan to reduce government personnel was one of the chief reasons for instituting such a loyalty check. (R FBIS, 11 Jan 52)

Comment: The Yoshida government's late 1951 attempt to effect a sizeable reduction in the number of government employees was an effort to carry out a campaign promise. The Diet's approval of a measure so innocuous as to eliminate only the existing vacancies was blamed by Yoshida on the testimony before Diet committees of employees on the bureau chief level.

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SECTION 3 (WESTERN)

2. EAST GERMANY. Communists urge formation of all-German election committee: The East German People's Chamber has asked the West German Lower House to collaborate in naming a ten-man joint commission to discuss the various proposals for all-German elections. American representatives in Berlin suggest that the East Germans, in the event of a Bonn rebuff, might then encourage leading West German neutralists, such as Pastor Niemöller, to participate in an "all-German" commission.

The East Germans have also renewed their attack against the recent naming of a UN Commission to investigate electoral conditions in all of Germany; they have avoided, however, the question of the commission's entry into East Germany. (C Berlin 898, 9 Jan 52; R FBIS-Berlin ADN, 10 Jan 52)

Comment: Suggestion of the mixed German commission fits in with the consistent Communist opposition to a UN Commission as outside interference. Although such a commission would probably be refused entrance into East Germany, the Communists might at the last minute allow it to enter. The only hint of such a move is unconfirmed reports that Communist security police have shipped all records pertaining to East German elections since 1948 to an unknown destination, possibly in order to impede efforts of any UN investigating unit.

3. FRANCE. French President attempts to limit government crisis: President Auriol is seeking to persuade party leaders that the current cabinet crisis must be resolved by 21 January and has indicated confidentially that he "will do his utmost to cut short the ritual" of the search for a new French government. The US Embassy in Paris warns, however, that an early outcome is not in sight.

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The Gaullists, who have given no indication of a tendency to compromise, cannot be included in a coalition government, in the opinion of the Embassy. Furthermore, a Gaullist-led government could only come about in an emergency atmosphere and if the crisis were extraordinarily long.

The Embassy in Paris concludes that ex-premiers Bidault, Queuille, and Pleven now appear the most likely candidates to re-form the middle-of-the-road coalition. (C Paris 4112, 10 Jan 52)

4. AUSTRIA. Soviet "friendliness" not accompanied by basic policy concessions: US press reports suggesting that recent "friendly" actions by Soviet occupation forces in Austria indicate a change in policy toward the Austrian Government must be regarded with extreme skepticism. This optimistic interpretation, attributed to Austrian officials, of such recent Soviet gestures as the release of Austrian war criminals, restitution of confiscated property, and a display of "politeness" by Soviet demarcation line authorities becomes highly questionable in the light of numerous recent instances of Soviet intransigence on these very matters.

Although the Soviet occupation authorities may possibly intend to recoup their declining prestige in Austria by minimizing public annoyances, there is abundant evidence that the USSR has not retreated on fundamental issues and may in fact be preparing to deal with them more vigorously. In this respect, the following may be cited: Soviet renewal of remilitarization charges against the Austrian Government and the other occupation powers; Vishinsky's warning to Foreign Minister Gruber in Paris of the unlikelihood of an Austrian treaty; continued encouragement of international Communist activities in Vienna; support of Austrian Communist police officials; refusal to abolish Austrian censorship; Soviet warnings of possible "consequences" of continued Western utilization of the Graz-Vienna air corridor; demands for greater occupation costs payments; support of Austrian Communist demands for wage increases in contradiction to the Austrian stabilization program; threats to impose zonal trade barriers in support of demands for increased raw materials allocations; efforts to extract industrial information from Austrian officials; and the expansion of retail outlets for Soviet enterprises in Austria. (Factual data from: U AP Vienna, 9 Jan 52; U AP Vienna, 10 Jan 52)

5. BELGIUM. US dissatisfied with Belgian attitude on defense: As a result of Belgium's rejection of the TCC recommendation for additional defense increases, the US Embassy in Brussels has been instructed to point out that Belgium, especially because of its refusal to make grants to others, apparently does not understand the kind of partnership which NATO membership entails. The Department states that Belgium's present attitude may lead to reconsideration of US end-item aid. Furthermore, Belgian objections

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to TCC procedures seem completely unjustified in view of the unanimous approval by all the TCC deputies at every step.

The State Department also stresses that Belgium's failure to sign the Mutual Security Act, on the excuse that parliamentary approval is necessary, will lead, at the least, to immediate suspension of dollar commitments of aid through payment and trade authorizations. (S to Paris 3967, 9 Jan 52; C to Brussels 1017, 10 Jan 52)

Comment: Belgian reluctance to undertake additional defense expenditures has been evident for some time. Should the current cabinet crisis be resolved and a stronger government formed, Belgium would be more likely to meet US objectives.

6. ITALY. Britain and US protest Italian munitions shipments to non-NATO countries: The British Embassy in Rome has informed American officials of its protests to the Italian Government concerning negotiations for small arms and ammunition between Italian munitions makers and Egyptian representatives.

The Italian Government has been informed by the US Ambassador of the adverse effect which the export of arms and munitions to non-NATO countries would have on the US Congressional attitude toward future defense aid, and the importance of conserving Italy's munition production potential for other NATO countries. (S Rome 3080, 9 Jan 52)

Comment: Italy has hitherto complied with American requests to stop shipments of armaments considered contrary to US interests. The Italians now point out, however, that until their army or NATO countries can absorb such production, some arms must be shipped to non-NATO countries in order to keep Italian factories in operation, to avoid unemployment, and to prevent the deterioration of equipment.

7. Government likely to oppose British recruitment of labor for Suez: British officials are seeking 14,000 Italian semi-skilled Italian laborers in addition to a small number they have already brought to Suez. Britain anticipates opposition on the part of the Italian Government which does not want to antagonize the Egyptians.

Italy is aware of its inability to protect its nationals if serious trouble develops in Egypt. Foreign Secretary Eden was told during his visit to Italy that the latter will follow an "independent" course but will not take an anti-British position. (C Rome 3114, 10 Jan 52)

Comment: Italy wishes to avoid any Egyptian antagonism, which might adversely affect Italians not only in Egypt, but also in other Moslem countries where they are an important minority.

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The British earlier doubted the success of recruiting a somewhat smaller number of Italians to work in the Suez Canal zone. The difficulty in replacing the semi-skilled Egyptian workers is a key problem in keeping the Suez base operative.

8. ITALY. Communists use new tactic in effort to sabotage defense production: The Communists are reportedly accelerating the formation of Factory Syndical Commissions in Italian industrial firms for the purpose of sabotaging re-armament and gathering information on plant efficiency and progress of production. The first of these Commissions were formed last summer. To assist these bodies, the Communists have established Factory Information Committees whose duties are to intensify peace propaganda and to report on layoff plans, possibilities for organizing strikes, political tendencies of workers, and factory production. (C Rome 3096, 9 Jan 52; [redacted])

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[redacted]
14 Dec 51; NY Times, 13 Oct 51)

Comment: This new tactic is not likely to enable the Communists to obstruct Italian defense production to any significant extent. Government authorities have indicated awareness of the situation and may be expected to exercise reasonable vigilance. Moreover, large numbers of workers, eager to work on defense orders, have shown increasing reluctance to engage in strikes and slowdowns at the call of the Communists. Largely because of the workers' attitude the Communist-dominated Confederation of Labor has announced its members will work regularly on defense orders and will offer only passive opposition.

9. PORTUGAL. Army and navy officers seized in plot against government: The Portuguese security police on 8 January raided the Lisbon headquarters of the oppositionist National Civic Organization and arrested ten army and navy officers on charges of plotting to overthrow President Graveiro Lopes. The police claim to have seized documents that will substantiate the charges.

The officers involved, all of whom are either retired or in the reserve, previously had been convicted of complicity in the 1947 revolutionary plot and were recently granted amnesty by the Salazar government. All had actively supported unsuccessful opposition candidate Admiral Quintao Meireles in the 1951 presidential elections. (S Lisbon 289, 9 Jan 52)

Comment: Bad feeling, aroused in the 1951 campaign by the tactics of Meireles' followers in publicizing scandals involving high government officials, may have inspired these arrests. The timing may indicate the government's desire to avoid a repetition of these tactics when NATO meets in Lisbon next month. The police have kept the National Civic Organization under observation since last August, but reportedly had not acted because of insufficient evidence.

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10. UNITED KINGDOM. Britain requesting assistance to keep Suez Canal operating: The British Foreign Office has requested the US, France, and probably the Netherlands to furnish specialized personnel to aid in the operation of the Suez Canal. Britain is also considering the desirability of having American and French warships stationed in the area as an indication of support for the British position and for assistance if the evacuation of Europeans becomes necessary. These questions would be discussed at a secret meeting on Malta of French, British and American military representatives.

France considers that technical assistance should be offered only at the request of the Suez Canal Company and only after the Egyptian Government has failed to cooperate. The French are not enthusiastic about stationing their ships in the area. (S Paris 4088, 9 Jan 52)

Comment: The desertion of large numbers of Egyptian laborers has made it necessary for Britain to use military personnel to keep the Canal open. Recruitment programs for unskilled labor are under way in East Africa, Malta, and Cyprus; but Britain considers that the maritime powers using the Canal should help supply the skilled labor which is more difficult to obtain.

The present hour-a-day strike against the Suez Canal Company is adding to the British difficulties. As yet the Company has not asked the Egyptian Government to implement its secret agreement under which the Egyptian Navy would supply 180 key specialists in case of a general strike.

11. MOROCCO. UN not likely to discuss Moroccan question at this session: According to [redacted] Moroccan nationalist leaders for several years, the Arab States probably will not press further at this session of the UN General Assembly for a discussion of charges that France has violated human rights in Morocco. Arab delegates now believe that discussion should be postponed until the Assembly meets in New York. (S Paris DELGA 946, 12 Jan 52)

Comment: Moroccan nationalist leaders have long preferred to have more time to strengthen their case and therefore have not wanted early discussion in the General Assembly. They have sought, however, to have the Moroccan question placed on the agenda, in order not to lose the public's attention.

12. UNION OF SOUTH AFRICA. South Africa to press own case on South-West Africa in General Assembly: The US Ambassador in Pretoria doubts whether the South African Government can be dissuaded from bringing a resolution before the General Assembly which would condemn the action of the Trusteeship Committee in inviting Herero chiefs from South-West Africa to appear before it. (S Capetown unnumbered, 10 Jan 52)

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Comment: In protest against the Committee action, South Africa last month withdrew from plenary sessions of the General Assembly until "the possible hearing and satisfactory consideration" of the Union's complaint. The determination to introduce a resolution so certain of defeat and despite American attempts to discourage the move points up the strong indignation aroused in South Africa by what is considered continued UN interference in matters beyond its competence.

While defeat of the resolution might possibly result in permanent South African withdrawal from the UN, such a step is unlikely as it would divide South African opinion which is at present united in support of the government's stand, and would adversely affect the Union's relations with the West.

13. ARGENTINA. Possible Cabinet changes may introduce Communist sympathizer: 25X1C [redacted] the present Minister of Labor may soon be replaced by a Senor Suarez, a labor union member who is "capable" and a Communist sympathizer. The Minister of Public Works may also be replaced.

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- 25X1 Comment: No further details on Suarez are available. [redacted] Senora de Peron was exerting pressure to have Armando Cabo, pro-Communist labor union official, appointed Minister of Labor. The current Labor Minister has been completely subservient to the Perons, but not noted for his intelligence.

14. BOLIVIA. President reprimands general for contacts with opposition leaders: President Ballivian reprimanded General Humberto Torres Ortiz, Commanding General of the General Staff, for his recent meetings with leaders of the Nationalist Revolutionary Movement. The reprimand, issued at a New Year's reception for top military men, precipitated rumors that Torres was to be relieved. (R La Paz Joint Weeka 1, 4 Jan 52)

Comment: Subsequently [redacted] Torres will attempt to oust the junta (see OCI Daily Digest, 11 Jan 52). The reprimand has probably abetted increasing factionalism within the army. A moderating influence on some officers who dislike the junta's policies is fear of retribution should the Nationalist Revolutionary Movement return to power.

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15. Petroleum reserves interest foreign capital: According to the US Embassy in La Paz, the presence in La Paz of a Shell Oil geologist would indicate that foreign oil capital will consider investing in Bolivia. An

[redacted] Bolivian reserves are at least twice

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those of Mexico. [redacted] circulated in the US, and several US companies may send representatives to Bolivia in the near future. (R La Paz Joint Weeka 1, 4 Jan 52)

Comment: Argentina and Brazil have long been interested in Bolivian oil.

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